

# Idaho Barley

Summer 2012 • Vol. 22, No. 1

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## R E P O R T

## Idaho Barley Commission – 2012 in review



### Idaho becomes top barley producer in 2011...

Due to a 6% increase in planted area and very favorable growing conditions, Idaho jumped into the Number 1 Barley Producer spot in 2011. The 2012 barley crop was off to a strong start again this year with planted acreage up another 17% but growing conditions turned highly variable by mid-summer. As a result of these less than ideal conditions across Idaho and a large jump in barley acreage in North Dakota, Idaho is not expected to repeat its top performance in 2012.



### Barley check-off legislation passes...

The 2012 Idaho Legislature passed Senate Bill 1304 that gives the commission authority to set the Idaho barley assessment at a rate not to exceed 4 cents per hundredweight (less than 2 cents per bushel). The Idaho barley assessment has been fixed in law since the commission's inception in 1988 at 2 cents per hundred-weight.

The IBC wants to be clear with its producers about its intentions. We have voted NOT to raise your assessment in FY 2013, which began July 1. What we were seeking in this legislation was the flexibility to make prudent long-term investments, particularly in

research that requires a sustained effort over a number of years in order to generate results. Because of fluctuating barley production in Idaho in recent years the commission has seen its funding base become less predictable during a critical period of time in which we been called upon to increase our share of research costs to make up for lost state and federal investments in barley research.

We want to assure all of our growers that we will maintain the current IBC philosophy of being very selective in how we spend your check-off dollars to ensure a good return on investment. For several years, the IBC has maintained a comfortable reserve in order to be able to address emerging needs and opportunities and we will continue to use this reserve before we consider raising your assessment. We also pledge our full effort to maintain effective communications with our growers across Idaho on funding needs before any future action is taken on the assessment. We encourage your input at any time and hope to see you at various field days and Barley Commission events scheduled this summer and fall.

**Chairman Tim Dillin, Bonners Ferry (District I)**

**Vice Chairman Dwight Little, Teton (District III)**

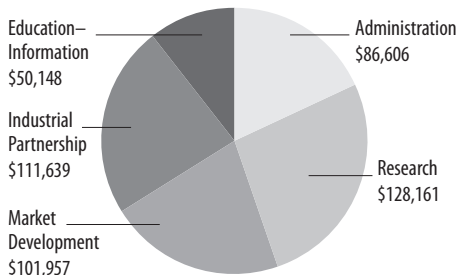
**Commissioner Pat Purdy, Picabo (District II)**

**Industry Representative Clay Kaasa, Great Western Malting Co., Blackfoot**



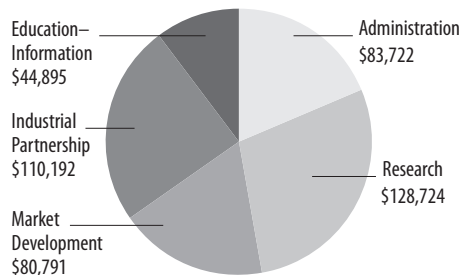
### FY 2012/13 IBC Approved Budget

\$478,511, up 7%



### FY 2011/12 IBC Estimated Actual Expenses

\$448,324, up 10%



Top photo: District I Commissioner Tim Dillin (back center) hosts Japanese trade team at his farm in Bonners Ferry. Center photo: District III Commissioner Dwight Little, Teton, participates in RightRisk workshop sponsored by IBC in January, 2012. Bottom photo: New District II Commissioner Pat Purdy in field of Conrad barley on his farm in Picabo.

# Research

## **GROWERS, INDUSTRY AND RESEARCHERS LAUNCH IDAHO BARLEY RESEARCH ROADMAP**

— Key leaders from the Idaho Barley Commission, University of Idaho College of Agricultural and Life Sciences and Idaho's malting barley industry have begun a major assessment of the University of Idaho's barley research capacity to determine whether there is a need to create a new research position dedicated solely to barley. This effort began with a roundtable discussion hosted by College of Agricultural and Life Sciences Dean John Hammel and Ag Experiment Station Director Donn Thill during the University's Capital Campaign Gala on the Moscow campus on April 28. During this initial phase, participants evaluated current UI barley research strengths and weaknesses and pinpointed opportunities for strengthening our barley research footprint in Idaho. According to IBC leaders who attended, including IBC chairman Tim Dillin and new south-central Idaho commissioner Pat Purdy, "a critical part of this discussion was engaging

leaders from the Idaho malting industry on research priorities that will help achieve consistent and reliable malting barley production year in and year out."

The first **Idaho Barley Research Roundtable** highlighted current barley agronomic, disease and irrigation research and extension programs at the UI, based mostly in southern and eastern regions of the state, and identified some areas of immediate interest, including research into soil fertility and nutrient management to help growers manage their high fertilizer costs while meeting yield and quality goals.

**NEXT PHASE** — All parties have committed to participate in a second major roundtable discussion to take place in early October in eastern Idaho. During this stage we will determine whether it is in the long-term interests of Idaho barley producers to help fund an endowment to create a dedicated barley scientist position in the University of Idaho. The IBC board **feels very strongly about thoroughly discussing this potential investment with**

**growers throughout the state before making any funding commitments.**

## **IBC TACKLES FUNDING CHALLENGES AT ARS BARLEY BREEDING PROGRAM IN ABERDEEN**

— For the past 90 years, the USDA Agricultural Research Service has operated the only federal barley breeding program at the National Small Grains Germplasm Research Facility co-located at the University of Idaho's Aberdeen Research and Extension Center. This barley breeding program has achieved many important milestones, including the release of North America's only winter adapted malting barley varieties and world's first releases of low phytate barley varieties which improve phosphorus nutrition in monogastric animals while reducing phosphate pollution.

But like so many other federally funded programs, Idaho's only public barley breeding program is now facing escalating cutbacks in research funding. **These funding challenges are significant.** One of the biggest threats is an across the board hiring freeze that has affected all ARS research facilities for the past two years which means when a key scientist position becomes vacant through retirement or job changes we cannot recruit new scientists to continue our vital research programs. Second, and perhaps of more immediate concern to our ambitious breeding goals is the 58% cutback in operating funds during the past decade. **These serious funding constraints put pressure on the Idaho Barley Commission and other private funding partners like the American Malting Barley Association to increase our cost-share support** or face serious erosion in both Aberdeen's research infrastructure and a much slower progress in bringing better yielding and higher quality malting and food barleys to the marketplace.

◀ *ARS National Small Grains Germplasm Research Facility houses world class barley research at Aberdeen, Idaho*



# Market Development

## **IBC taps into global malting barley demand**

— With domestic beer demand remaining mostly flat, we are looking to higher growth markets in Latin America and Asia for potential malting barley and malt sales. Our targets include Colombia and South Korea — both markets now available duty free to U.S. barley and malt sales as a result of recently enacted bilateral free trade agreements.

## **IBC conducts food barley technical short courses for Asian and Latin American food companies**

— The IBC sponsored the first-ever Technical Short Course on Barley-Fortified Wheat Flour Product Development at the Wheat Marketing Center in Portland, OR, in early March. This first short course was targeted at Asian food companies. A second course is scheduled August

13-17 for Latin American food companies. The goals of these technical workshops are two-fold:

- To enhance the nutritional value of traditional wheat flour-based products by incorporating a certain percentage of high fiber barley flour; and
- To test and refine formulations and processing conditions for utilizing more barley in traditional cereal food products.



# Grower Services

**Grain Risk Management Education** – IBC secured its 10th consecutive competitive grant from the Western Center for Risk Management Education (\$15,000 grant was received in 2011 and \$28,000 grant was recently awarded for 2012/13). We continued to offer a mix of on-line webinars and live workshops reaching more than 1,330 growers this year. In addition we provided funding support to the University of Idaho Extension for several Farm and Ranch Management and Estate Planning and Business Succession short courses across both southern and northern Idaho. More of these courses are planned for 2012/13. North Idaho Extension will offer an innovative “Marketing Mondays” educational series starting in mid November 2012.

**Art Barnaby workshops** – On December 6, we brought noted agricultural economist Dr. Art Barnaby

from Kansas State University to conduct a workshop in Pocatello on “Risk Assess Grain Marketing: Integrating Grain Marketing and Crop Insurance into a Comprehensive Risk Management Strategy.” IBC is currently working with Dr. Barnaby and two Idaho grain/insurance experts to craft a new comprehensive training program tailored specifically to barley that we will offer in 2012/13. This training will integrate the risk management tools available under the new Farm Bill, crop insurance programs and grain markets.

**RightRisk workshops** – In collaboration with the RightRisk training program based at Colorado State University, we sponsored four RightRisk education workshops in January and February in Rexburg, Soda Springs, Greencreek and Genesee. We will bring another RightRisk workshop in the fall 2012 to Bonners Ferry.

## PRODUCER TOOLBOX: Scouting for frost damage

*Contributed by Dr. Juliet Marshall, UI cereal agronomist and pathologist*

Temperatures have swung widely this season from record warm to record cold. Many times temperatures have dipped below freezing, and now frost damage is becoming evident in the heads of both winter and spring cereals. It was not unusual to see leaf damage early in the season prior to tillering, and now heads are exhibiting typical symptoms such as twisted and bleached awns, bent heads with awns still caught in flag leaves, partial sterility in some heads, and sometimes completely empty heads. The symptoms will vary depending upon the plant growth stage when cold temperatures occurred, with the most sensitive growth stage occurring at anthesis, when the anthers are close to or are shedding pollen.

Temperatures of 30 degrees F (–1 degree C) for 2–3 hours will damage floret fertility, with shorter periods of time causing damage at colder temperatures.

The extent of damage varies tremendously with the terrain, elevation, crop growth stage, and duration of exposure to freezing temperatures. Damage from freeze events at flowering may not become evident for 1–2 weeks afterwards. Affected heads may take on

a translucent lighter green color than healthy heads. Plants are able to compensate for low levels of damage by shifting grain fill to later tillers and increasing the



*Typical frost damage in barley with white awns and sterile florets in the middle of the spike.*

seed size of remaining viable seeds.

One important note of caution if you suspect frost damage – sterilized florets may open to seek outside sources of pollen, thereby exposing the floret to infection by ergot spores. Ergot is difficult to screen from healthy seed and contaminated seed should not be fed to cattle due to the presence of dangerous mycotoxins.



## MARKET OUTLOOK: MY 2012/13 global grain

### MARKET FUNDAMENTALS

- World barley production is projected to be down 1% (U.S. crop up 39%), usage down 2% (U.S. usage up 9%) and carryover down 7% (U.S. carryover up 19%).
- World wheat production down 4% (U.S. crop up 11%), usage down 2% due to smaller anticipated feed usage but that is likely to change due to problems with the corn crop (U.S. usage up 3%) and carryover down 7% (U.S. carryover down 7%).
- World corn production up 4% (U.S. crop up 5%), usage up 4% (U.S. usage up 1%) and carryover up 4% (U.S. carryover up 31%).

### KEY DRIVERS

- **U.S. beer demand remains stagnant** (down 1.7% in 2011; but craft beer segment was up about 12 to 15%).
- **USDA surprised the trade by sharply lowering its 2012 U.S. corn yield estimate to 146 bushels per acre in their July 11 S&D estimates**, rather than waiting until their mid August report. Some crop watchers think U.S. corn yields will fall even further and the percentage of harvested acres could be lower than currently projected due to the severe moisture stress across at least half of the U.S. corn belt this year. This drought is expected to linger through the remainder of the growing season.
- **How much corn will China need to import to meet its expanding livestock feed demand?** China has purchased about 5.1 MMT of U.S. corn in the current marketing year compared to only 630 TMT for the same period the previous year. While China is on pace to produce a record high corn crop this year many analysts believe China will need to import more corn yet this year to refill their strategic reserves and meet rising demand for feed grains.
- **Outside market influences** – investment money flow, value of the dollar and crude oil will continue to strongly influence market direction, with continued high volatility attributed to the protracted European debt crisis and a weakening global economic outlook.

*continued on next page*

## MARKET OUTLOOK: MY 2012/13 global grain *(continued from previous page)*

MY 2012/13 U.S. Grain Supply & Demand, USDA, July 11, 2012 (million bu)						
	BARLEY		CORN		WHEAT	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Harvested acres (mln)	2.2	3.3	84	89	45.7	48.8
Carryin	89	60	1,128	903	862	728
Production	156	217	12,358	12,970	1,999	2,234
Imports	14	15	2	30	115	120
Total supply	259	292	13,508	13,903	2,977	3,082
Food, seed & industrial	160	160	6,455	6,320	1,017	1,023
Ethanol			5,050	4,900		
Feed	32	50	4,550	4,800	169	200
Exports	7	10	1,600	1,600	1,048	1,200
Total usage	199	220	12,605	12,720	2,234	2,423
End stocks	60	72	903	1,183	743	664
Stocks to use	30%	33%	7.2%	9.3%	33%	27%

MY 2012/13 World Grain Supply & Demand USDA, July 11, 2012 (million metric tons, MMT)						
	BARLEY		CORN		WHEAT	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Carryin	24.2	21.9	124.3	129.4	197.2	197.2
Production	133.7	131.9	873.7	905.2	694.7	665.3
Total supply	157.9	153.8	998.0	1,034.6	891.9	862.5
Export trade	18.6	16.7	96.9	97.5	149.2	135.6
Total usage	136.0	133.4	868.6	900.5	694.7	680.1
Carryout	21.9	20.5	129.4	134.1	197.2	182.4
Stocks / use	16.1%	15.4%	14.9%	14.9%	28.4%	26.8%

## Navigate through price volatility – calibrating your 2012/13 grain marketing plans

*Special feature by Chris Barron, contributor to agweb.com*

Market volatility has been the norm for the past several years in the grain markets. It's pretty likely we'll continue to see volatility, especially between now and when the 2012 harvest is completed. Depending on weather, outside markets, Europe, demand and a number of other variables, prices between now and harvest could fluctuate as much as \$2/bushel. As this wild ride continues, we're all faced with the difficult task of figuring out what is the best marketing plant.

In general, producers have very little grain sold ahead of harvest this year as prices drifted mostly lower this spring. The past couple of years have conditioned us to believe that a 30 to 40% profit margin is the new normal. This makes capturing a 5 to 10% margin a psychological challenge! Unfortunately, the reality is each year will presents its own challenges and

we need to calibrate our marketing goals to match realistic opportunities.

Here are a few tips to help producers develop a plan to manage the market volatility that most certainly lies ahead.

### 1. Identify what you currently know.

- A. % of grain currently sold and average price.
- B. Storage available on farm or at elevator.

### 2. Estimate your total crop production.

- A. Run several scenarios to account for potential 2012 yield losses.
- B. Continue to refine your estimate as your crop matures.

### 3. Set realistic profit margin goals.

- A. Know your cost of production.
- B. Know your yield potential.

C. Set a realistic price target.

D. Start sales with bushels that you do not have storage for.

E. Be disciplined, not greedy.

It's impossible to predict the exact direction of markets, just like it's impossible to predict the exact direction of a thunder storm. However, once you've spent some time and effort focusing on the conditions that you can manage, you should have a better idea of what profit margins are realistic for your farm and the confidence to capture opportunities.

I have created a "Profit Navigator" decision tool that will help producers navigate through the volatility storm currently sweeping through the grain markets. To receive a copy of this tool, please send an email request to [cbarron@cb-farms.com](mailto:cbarron@cb-farms.com).



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